VZCZCXRO5948
RR RUEHMA RUEHPA
DE RUEHMV #0196/01 0481654
ZNR UUUUU ZZH
R 171653Z FEB 10
FM AMEMBASSY MONROVIA
TO RUEHC/SECSTATE WASHDC 0062
INFO ECOWAS COLLECTIVE
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC

UNCLAS SECTION 01 OF 02 MONROVIA 000196

SENSITIVE
SIPDIS

E.O. 12958: N/A
TAGS: ECON EFIN LI
SUBJECT: IMF: LIBERIA REMAINS ON TRACK FOR 2010 HIPC COMPLETION POINT

REF: 09 MONROVIA 804; MONROVIA 122

¶1. (SBU) SUMMARY: A working-level delegation from the International Monetary Fund has offered a cautious assessment of Liberia's prospects for HIPC Completion Point during 2010, insisting that the IMF must use its pre-Completion Point leverage to ensure Liberia implements long-delayed legislation and demonstrates enduring public financial management reforms. However, the simultaneous visit of the IMF's Deputy Managing Director-the first visit by Fund management in over two decades-offered symbolic endorsement of Liberia's HIPC progress, and seemed to reinforce the GOL's conviction that it will achieve Completion Point as early as May or June. END SUMMARY.

¶2. (SBU) Chris Lane, deputy director of the Africa division, led an IMF assessment team to Monrovia February 9-17 in advance of the February 14-16 visit of IMF First Deputy Managing Director Jonathan Lipsky. Although the IMF intends to conduct the fourth review of Liberia under the Poverty Reduction and Growth Facility as early as March, the GOL's eagerness to reach HIPC Completion Point this spring prompted an interim appraisal. The purpose of the IMF visit, Lane told Econoff February 12, was to evaluate the final four HIPC triggers, and discuss a post-Completion Point framework for fiscal policy and the national budget. The IMF last visited Liberia to conduct its third review in October 2009(ref A).

¶3. (SBU) The four remaining triggers are: the completion of audits of five key ministries; an audit of the Ministry of Education (MoE) payroll; passage of the revised Investment Incentives Act; and the one-year implementation of the Public Financial Management Act of ¶2009.

¶4. (SBU) Through USAID, the MoE will complete its payroll audit next month. And despite inter-governmental political wrangling that threatened to hinder the audit process (ref B), the IMF believes the General Auditing Commission will deliver the five required audits by March. Lane noted that Minister of Planning and Economic Affairs Amara Konneh, who leads a newly-formed Technical Committee on the HIPC audits, appears to have placated uncooperative actors, and a draft of all five audits has been sent to ministers for review.

¶5. (SBU) The two most worrying, as-yet incomplete pre-requisites are the twelve-month implementation of the PFM Act and the passage of the Investment Incentives Act. Although the PFM Act originally passed in August 2009, the IMF would be willing to abbreviate the 12-month implementation period, given that the Ministry of Finance readied strong regulations while awaiting passage. However, the President inadvertently signed into law an earlier draft version of the PFM Act, so now the National Legislature must pass an amendment

to the legislation. Further, the Investment Incentives Act continues to languish in the legislature, mired in the tug-of-war between those who wish to encourage foreign investment and proponents of protectionism.

¶6. (SBU) In short, Lane summarized, Liberia is advancing towards Completion Point, but not as quickly as the IMF would have hoped. Recognizing that many reforms could lose momentum after Completion Point, Lane believes it is essential to institute strong financial management at line ministries, and secure legislative buy-in for sound fiscal policy, while the Fund still maintains leverage in Liberia. While Lane would not commit to Liberia's mid-year timeframe for Completion Point, he did offer that IMF still believes that the HIPC process in Liberia has gone much smoother than in other countries.

¶7. (SBU) At the same time, Deputy MD Lipsky's trip to Monrovia represented the first visit by senior Fund management in over two decades. Lipsky, accompanied by Antoinette Sayeh, Africa director and former Liberian Finance Minister, met with the President, members of the legislature, representatives of the private sector, and toured both the University of Liberia and a school in Paynesville. In a February 15 meeting with donors, Lipsky appeared confident that the remaining triggers would be achieved in the next several months. The Ambassador urged Lipsky to emphasize to the

legislature that achieving benchmarks for Completion Point is the responsibility of the entire government, and the legislature must play a productive role.

¶8. (SBU) While Lipsky's two-day agenda, heavy on meetings with students and photo opportunities, appeared to be a goodwill tour, IMF Resident Representative Yuri Sobolev worried that the feel-good agenda left little time to deliver hard-hitting messages to government officials and legislators. Similarly, Lane noted privately that Lipsky tends to be disinclined to deliver a tough message upon first meeting foreign interlocutors, and anticipated that he would not press Liberian officials to redress delays in the HIPC process.

¶9. (SBU) Indeed, while Lipsky carefully read scripted remarks during a joint press conference with the President, his assertion that "with continued strong performance, Liberia could reach Completion Point later in 2010," was translated in the local media into an affirmation that Liberia would reach Completion Point later this year.

¶10. (SBU) COMMENT: The IMF's current thinking is consistent with its longstanding conviction that premature Completion Point would curtail the institution-building that will be essential to sound fiscal management in years to come. However, the Ambassador observed that Lipsky's characterization of Liberia's growth prospects and the timing of Completion Point seemed rosy, particularly in contrast to the more cautious views of working-level IMF staff.

¶11. (SBU) COMMENT CONTINUED: Given that two of the four remaining triggers concern long-pending legislation, post will continue to engage actively with the Legislature, advancing the view that HIPC's success will be a victory for all of Liberia, while its failure would fall not only on the executive branch but also on the entire GOL.
THOMAS-GREENFIELD